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Household Appliance Industry in South China

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Report Highlights:

Affordable household appliances create room for U.S. food products among Chinese consumers.

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Unscheduled Report
Guangzhou [CH3], CH

Household Appliance Industry in South China

A recent show on household appliances in Shunde, China indicates that consumers in South China have ready access to modern, convenient household appliances such as refrigerators, microwaves, and gas or electric stoves. As these appliances are locally made and are available, they are price competitive. Chinese consumers in Guangdong are in fact buying these appliances, as shown in the following data.

In Year 1999, on the basis of per 100 urban households, the highest income households in Guangdong (the top tenth of the population -- those with an annual per capita income of RMB18,832 [US\$2,278.52]) owned 94.21 units of refrigerator, 44.41 units of microwave oven, and 129.38 units of electric cooking appliance. The ownership of such appliances makes it possible for the same consumers to buy, store, and use a variety of U.S. food products, including convenient, microwave oven ready meals, fresh and frozen meat products, and fresh fruit.

In terms of life style, these same highest income households, on the basis of per 100 households, owned 101.52 units of washing machine, 334.35 units of electric fan, 153.38 color television set, 60.96 units of hi-fi stereo component system, 142.34 units of air conditioner, and 105.93 units of hot water heater. (Data from the Guangdong Statistical Yearbook 2000) This pattern of ownership again shows that a segment of the Chinese population is relatively affluent and able to afford the good life. These Chinese consumers are the potential customers of U.S. food products.

The household appliance show in Shunde, promoted as the First China Shunde International Exposition for Household Appliances, was held from October 23rd to 28th. Among its 270-plus exhibitors, 133 were from Shunde, 71 from other townships in Guangdong, and the rest from other Chinese and foreign cities. They displayed products such as rice cookers, microwave ovens, electric fans, disinfectors, water dispensers and purifiers, and air conditioners in the newly constructed Shunde Exhibition Center.

The Shunde Government claims that Shunde's production of household appliances is more than 10 percent of the national production in China, making Shunde the "kingdom of home appliances." Midea, Kelon, Rongsheng, Galanz and Micro are brand names of a number of Made-in-Shunde appliances. They enjoy national and international sales, under most international brand names including GX, Philips, and others.

In addition to the display of hardware, the show hosted 14 seminars on marketing, export strategies, e-commerce, risk management, and price and profit.

According to the organizers, the show attracted more than 10,000 visitors in the first two days.

While in the Shunde area, the ATO/GZ director had a private conversation with a distributor of household appliances. In anticipation of China's joining the WTO, the distributor was not optimistic about the future of his business. He thought that manufacturers of household appliances will bypass the wholesalers/distributors and sell directly to the retailers/customers. The household appliance industry is apparently at the threshold of a price war. Only the very best will survive.

Shunde was an agricultural production center of Guangdong until the early 1990s when the "reform and open policy" enabled it to transform into an industrial city. In a five-year period, between 1995 and 2000, the GDP of Shunde had increased to RMB 33.2 billion (U.S.\$8.26 billion), a 110.6 percent increase. The success of Shunde is prompting other townships in Guangdong to follow a similar path of industrial development. With a decrease

of production acreage, an increase in population and disposable income, more Guangdong residents will need to source their food products from other provinces or abroad. Here is a potential market for U.S. food.

The ATO/GZ director attended the Shunde Show to "give face" to the Guangdong Chain Operations Association, one of the sponsoring organizations of the Show and a supporter of the market development work of ATO/GZ. Gaining a better insight into the linkage between household appliances and U.S. food products was a serendipity. It might also be noted that Shunde is the ancestral township of the ATO/GZ director.